



October 15, 2008

Department of Energy Resources  
Commonwealth of Massachusetts  
100 Cambridge Street  
Boston, Massachusetts 02114

Dear Sir/Madam:

**Re: Alternative Energy Portfolio Standard**

Following are comments of Associated Industries of Massachusetts (AIM) in regard to the Department's inquiry about the Class II renewable portfolio standard implementation and suggestions for Department regulations pursuant to the Green Communities Act in this area.

AIM is the largest employer association in Massachusetts. AIM's mission is to promote the well-being of its more than 7,000 members and their 680,000 employees and the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services.

**Introduction**

AIM has been concerned about energy costs in general and electricity costs in particular for many years. High costs hobble employers, inhibits economic growth and undermine job retention and expansion. While Massachusetts and New England face inherent geographical disadvantages that affect energy costs, such limitations should spur policy makers to seize opportunities that would contribute to reducing burdensome costs. Such an opportunity exists in the implementation of the renewable portfolio standard under the Green Communities Act.

While public policy has been set to maintain and encourage renewable generation, Department rules should seek to implement the policy in the most cost effective and transparent fashion. The comments below are presented below in this framework.

### **How should the Annual APS percentage rate be determined and what should that rate be?**

The Department needs to be sensitive to the costs this program can impose on consumers. The policy has been set, but the Department's discretion is broad to implement. Setting the percentage is a key component in resulting costs to ratepayers. The percentage needs to be set at a level that provides support for such alternative energy but not as high as to burden consumers. Certainly this should not be higher than what the ACP will be in the Class I program.

### **What criteria should be required for any of the specified eligible technologies or fuels?**

The bias of any Department regulations should be toward a non-discriminatory level playing field. Imbedded in this notion is the corollary not to impose restrictions that burden a particular technology. Particular concern should be to not establishing criteria that in effect results in choosing winners and losers. Such an arbitrary structure would defeat the legislative intent of finding and encouraging distributive generation alternatives which may be better environmentally from existing supply.

In this regard, combined heat and power projects (CHP) are important to the business community and potentially very important to the distribution system itself. This could be particularly susceptible to discouragement or encouragement depending on the criteria. CHP is a very efficient technology.

For these reasons, the Department's criteria should not exceed the criteria that are contained in the Act.

### **What should the alternative compliance payment (ACP) amount be for APS, and how should it be calculated?**

Rather than suggest a methodology or specific dollar amount, the Department should keep in mind that in the end consumers – residential, commercial and industrial - will be paying this bill. So the payment level needs to be set in the context of a closely matched supply and demand. Otherwise the payment shifts from being a ceiling and becomes essentially a tax. The high cost of electricity has a real and dramatic impact on the economy and job maintenance and growth. Certainly the payment should not exceed the current compliance payment amount for the existing REC program.

### **What criteria should be applied to emission performance standards and permanent CO2 sequestration standards as referenced in the Act?**

An across-the-board emission standard would be counterproductive and would frustrate legislative intent. It would not encourage innovative generation and more environmentally beneficial generation as the Legislature wants. It clearly would discourage innovation rather than encourage it. A one-size fits all standard ignores the possibility that a technology in the Act could have overall a more benign environmental impact in its totality, than one focused only on a particular emission standard.

For these reasons, the Department should allow applicants on a case-by-case basis to show the beneficial impact of their facility/technology. A total-emission optimization plan as DEP often uses would be more innovative than a fixed standard. In this fashion, an applicant could demonstrate reductions in pollutants over traditional generation. This has particular application for combined heat and power applications which should be encouraged for environmental, cost and reliability reasons.

Therefore, the Department should adopt a case-by-case methodology reflecting a holistic view of environmental benefits to encourage innovation. Such review, however, needs to be clear and swift. For example, the applicant should be able to satisfy data requirements and the Department should respond with an approval or denial within a specific period, e.g., sixty days.

**What specific means of monitoring and verification will be necessary for compliance with the APS regulation?**

The ISO GIS should be sufficient to satisfy these functions because that system tracks generation by type of portfolio standard state-by-state.

**Conclusion**

AIM looks forward to the rule making process. The keystones of these comments and the guiding principles in rule making are for a cost effective, non-discriminatory and transparent program that delivers renewable power attributes to Massachusetts consumers in an affordable way.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Rio". The signature is fluid and cursive, with the first name "Robert" and last name "Rio" clearly distinguishable.

Robert A. Rio, Esq.  
Senior Vice President